

O. Overly
 Dorcas Lilly

Interstate Commerce Commission
September 27, 1978
Page Two

7. William M. Siegel 110 Spruce Street
 Philadelphia, Pennsylvania
8. J.B. Siegel 110 Spruce Street
 Philadelphia, Pennsylvania


Under the Assignment of Security Agreement, the eight individuals whose names and addresses are set forth above assign their interest in the Security Agreement to Golden State Sanwa Bank, a California state banking corporation, whose address is 626 Wilshire Boulevard, Los Angeles, California 90017.

The above described agreements relate to railway equipment consisting of fifteen (15) general service, 21,000 gallon rail tankcars, 100 ton roller bearing equipped with 12 lines interior coils, ICC road numbers LUCX 4001-4015, consecutively numbered.

When recorded, the documents should be returned to:

Hobart McK. Birmingham, Esq.
BRONSON, BRONSON & MCKINNON
523 West 6th Street, Suite 741
Los Angeles, California 90014

Very truly yours,


Hobart McK. Birmingham
Attorney for
GOLDEN STATE SANWA BANK

HMB:ndr

Interstate Commerce Commission
Washington, D.C. 20423

9/29/78

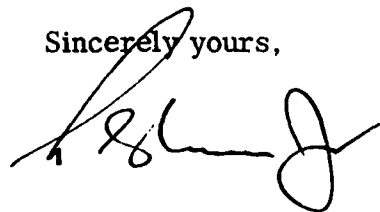
OFFICE OF THE SECRETARY

Hobart McK. Birmingham, Esq
Bronson, Bronson & McKinnon
523 West 6th Street, Suite 741
Los Angeles, California 90014

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,
49 U.S.C. 20(c), on **9/29/78** at **3:45pm**,
and assigned recordation number(s) **9724 & 9724-A**

Sincerely yours,



H.G. Homme, Jr.,
Acting Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 9726 Filed 1425

SEP 29 1978 -3 42 PM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

1. WESTERN STATE ENTERPRISES, INC., a California corporation with its principal office at 1900 Avenue of the Stars, Los Angeles, California 90067 ("WSE") hereby grants to Mr. and Mrs. Melvin J. Sherman, Mr. and Mrs. Richard B. Leavitt, Mr. and Mrs. Arthur Toll, and Mr. and Mrs. William M. Siegel as joint tenants (all the foregoing individuals collectively referred to as "Secured Party") a security interest in the Collateral described in Paragraph 2 hereof to secure the performance and/or payment of WSE's obligations under Paragraph 3 hereof.

2. The Collateral for this Security Agreement consists of the following:

A. Equipment - Fifteen (15) general service utility twenty-one thousand gallon rail tankcars, 100 Ton Roller Bearing equipped with 12 lines Interior coils, ICC road numbers LUCX 4001 - 4015, any and all additions or accessions thereto, any substitutions therefor and any proceeds thereof (the "Equipment").

3. All accounts and other rights of WSE with respect to the Equipment, including but not limited to, any and all leases of the Equipment; the Management Agreement dated June 24, 1978 with respect to the Equipment between WSE and LUCX, Inc., a California corporation ("Management Agreement"); any and all rents and other monies which are

now or may hereafter be payable to WSE on account of the Equipment and such agreements; and any and all guarantees, endorsements, warranties, indemnity agreements, maintenance agreements, insurance policies, or other agreements pertaining to such agreements or the Equipment, and any and all monies due or to become due and payable under the foregoing. As used herein, the term "account" shall have the same meaning as set forth in the California Commercial Code.

3. This Security Agreement is entered into as security for the indebtedness of WSE to the Secured Party evidenced by a promissory note of even date herewith in the principal amount of \$416,250.

4. WSE hereby constitutes and appoints Secured Party its true, lawful and irrevocable attorney to demand, receive and enforce payments, and give receipts, releases and satisfactions for and to sue for all monies payable to WSE in connection with Equipment, the leases thereof and the Management Agreement; and this may be done either in the name of WSE or in the name of the Secured Party with the same force and effect as WSE could do if the Security Agreement had not been entered into.

5. WSE represents and warrants that:

(a) Borrower's Title - Except as contemplated by the Management Agreement, WSE has title to all Collateral and no other persons, entity, agency or government has or purports to have or upon acquisition will have any right, title,

lien, encumbrance, adverse claim or interest in any of the Collateral.

(b) Borrower's Authority - WSE has authority to enter into this Security Agreement, and any person signing it on WSE's behalf has been duly authorized to execute this Agreement for WSE.

(c) Information - Any and all information now or hereafter supplied to Secured Party by WSE or at WSE's request or instruction is correct.

6. WSE agrees as follows:

(a) The Equipment will not be sold, transferred or otherwise disposed of or be made subject to any unpaid charge which is due, including taxes, without the prior written consent of Secured Party;

(b) The Equipment will be maintained in good repair and will not be misused, abused, wasted or allowed to deteriorate, ordinary wear and tear resulting from its intended use excepted;

(c) The Equipment will be insured against loss by fire, hazards included within the terms "extended coverage" and such other hazards as the Secured Party may require and against liability to third persons and property, all in such amounts and for such periods as the Secured Party may require and copies of loss payable endorsements naming Secured Party (or its assigns) as an additional loss payee and providing for a minimum ten (10) days notice of cancellation to Secured

Party (or its assigns) shall be promptly delivered to Secured Party.

(d) Secured Party or their agents may inspect and examine the Equipment wherever located upon Secured Party's reasonable request.

(e) The Equipment shall be used and operated solely within the continental limits of the United States.

(f) The Equipment shall be kept in full compliance with all applicable laws, ordinances, rules and regulations.

(g) WSE will not without the prior written consent of Secured Party agree to or consent to permit any amendment, modification, termination, or assignment of the Management Agreement;

(h) WSE will keep and perform all the obligations to be performed on its part under the Management Agreement and will save the Secured Party harmless from any failure to do so;

(i) Notwithstanding the Security Agreement or any notice thereof, the Secured Party shall not be obligated to perform any of the obligations of WSE as owner of the Equipment or arising under the Management Agreement or any lease of the Equipment;

7. The Secured Party may assign the Security Agreement. Upon written notification by the Secured Party and the assignee to WSE of such assignment, the assignee shall

be entitled to all the rights and remedies of the Secured Party under this Security Agreement, and WSE will assert no claims or defenses it may have against the Secured Party against such assignee except those granted under this Security Agreement.

8. Upon occurrence of any of the following (herein referred to as "Event of Default"), the entire principal amount outstanding of the indebtedness described in Paragraph 3 hereof and accrued interest thereon shall at once become due and payable at the option of the Secured Party. The Secured Party may exercise this option to accelerate during any such default, regardless of any prior forbearance, upon written notice to WSE.

(a) WSE defaults in the payment of any installment of the principal of or interest on the indebtedness set forth in Paragraph 3 hereof as and when due and payable.

(b) WSE fails to observe and perform each and every condition, covenant and obligation stated in this Security Agreement or the indebtedness secured hereby which is to be observed or performed by it.

(c) WSE or LUCX shall (1) apply for or consent to the appointment of a receiver, trustee or liquidator for any of the property or assets of WSE or LUCX, (2) admit in writing the inability to pay any debts as they mature, (3) make a general assignment for the benefit of creditors, (4) be adjudicated a bankrupt or insolvent, or (5) file a voluntary

petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against WSE or LUCX in any proceeding under any such law.

(d) An involuntary petition shall be filed under any bankruptcy statute against WSE or LUCX, or a receiver or trustee shall be appointed to take possession of the properties of WSE or LUCX or possession of the Equipment or other Collateral described in this Security Agreement, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of filing or appointment.

(e) Final judgment for the payment of money in excess of \$25,000 shall be rendered against WSE or LUCX, and the same shall remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed.

(f) Failure of WSE or LUCX to pay any tax, assessment, fine, imposition or other charge or claim, including, without limitation, claims of any contractor, subcontractor, laborer, materialman or supplier, which if unpaid, might become a lien or a charge upon the Collateral described in this Security Agreement.

(g) Failure of WSE or LUCX to observe each and every agreement to be observed by them under the Management Agreement.

(h) Termination of the Management Agreement.

9. In addition to the remedies set forth in Paragraph 8 above, upon the occurrence of an Event of Default, the Secured Party may exercise any or all of its rights or remedies under the California Commercial Code. The Secured Party may also (a) require the debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party if it is reasonably convenient to both parties, and (b) enter on to premises where the Equipment is located to take possession of, assemble and collect the Collateral or render it unusable. All rights and remedies of the Secured Party shall be cumulative and may be exercised successively or concurrently without impairing Secured Party's security interest in the Collateral. Notwithstanding the occurrence of an Event of Default, the Secured Party may delay or omit to exercise any right or remedy under this Security Agreement, and such delay or omission shall not be construed as a waiver of any right or remedy of Secured Party hereunder or under applicable law.

10. Nothing in this Agreement shall in any way limit the effect of the terms and conditions set forth in any other security or other agreement previously or later executed by Secured Party, but each and every term and

condition of this Agreement shall be in addition to other terms and conditions.

11. This Agreement shall be governed by and construed under the laws of the State of California, including the California Commercial Code. If any one or more of the provisions of this Security Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

12. WSE shall from time to time execute such additional documents as Secured Party may reasonably request to perfect the security interest granted by this Security Agreement.

DATED: _____, 1978

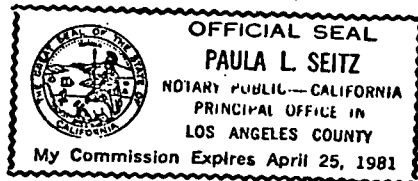
WESTERN STATE ENTERPRISES, INC.

By 
Its President

(Corporate Seal)

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On this 1st day of Sept. 1978, before me personally appeared M. J. Sherman, to me personally known, who being by me duly sworn, says that he is the President of Western State Enterprises, Inc., and the seal affixed to the foregoing instrument is the corporate seal of said corporation, and said instrument was signed and sealed on behalf of said corporation by the authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.



Paula L. Seitz
Notary Public

